

Message Text

SECRET

PAGE 01 TEHRAN 08354 010920Z
ACTION SS-25

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FM AMEMBASSY TEHRAN
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S E C R E T TEHRAN 8354

EXDIS

PASS TREASURY

FOR COOPER AND SOLOMON FROM SULLIVAN

EO 11652: GDS
TAGS: ENRG, EFIN, VE, IR
SUBJ: OPEC PRICES AND CURRENCY BASKET

REF: STATE 219928

1. DURING MEETING WITH COURT MINISTER HOVEYDA
AUGUST 31, I RAISED SUBJECT OF OPEC PRICES AND
CURRENCY BASKET AND RAN THROUGH POINTS CONTAINED
REFTEL. HOVEYDA IMMEDIATELY ASSURED ME:
(A) THERE WILL BE NO RPT NO EMERGENCY SESSION OF
OPEC. NEXT MEETING WILL BE REGULARLY SCHEDULED
DECEMBER MEETING. KUWAIT INITIATIVE FOR SPECIAL
MEETING IS DEPLORED BY IRAN.
(B) IRAN HAS NO RPT NO INTENTION TO SHIFT TO SDR
OR CURRENCY BASKET IN LIEU OF DOLLARS AS DENOMINATOR
FOR OPEC OIL PRICES. INSTEAD, IRAN HOPES TO SEE DOLLAR
STABILIZE. HOVEYDA POINTED TO JAHANGIR AMOUZEGAR'S
PIECE IN THE JULY ISSUE OF FOREIGN AFFAIRS. HE SAID
THAT REPRESENTED IRANIAN POLICY. HE PARTICULARLY
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WELCOMED OUR PREDICTIONS (REFTEL) FOR DECREASED 1979
CURRENT ACCOUNT DEFICIT.
(C) IRAN POSITION ON OPEC, BOTH NOW AND IN DECEMBER,
WILL BE "PRETTY CLOSE" TO POSITION OF SAUDI ARABIA.
HE FEELS THAT BETWEEN THEM, THESE TWO COUNTRIES CAN SET
THE PATTERN FOR OPEC POLICY AS THEY DID LAST YEAR.

2. ALTHOUGH HOVEYDA STATEMENT CAN BE CONSIDERED
AUTHORITATIVE REPRESENTATION OF SHAH'S VIEW AND HENCE
THE OFFICIAL POSITION OF IRAN, I INTEND TO FOLLOW UP WITH
MINISTER OF ECONOMY YEGANEH, WHO IS IRAN'S OFFICIAL
REPRESENTATIVE IN OPEC. HOWEVER, I AM MOST RELUCTANT
TO PERSUADE YEGANEH TO MAKE ANY STATEMENT TO THE PRESS
BECAUSE HE HAS AN UNFORTUNATE INEPTITUDE IN HANDLING
THE PRESS AND HIS ANSWERS TO JOURNALISTS USUALLY END
UP AMBIGUOUSLY. REFTEL DOES NOT RPT NOT SPECIFICALLY
REQUEST A PRESS STATEMENT AND SINCE YEGANEH WOULD BE
THE IRANIAN OFFICIAL WHO WOULD HAVE TO MAKE SUCH A
STATEMENT, I FEEL IT IS BETTER TO LET FACTS SEEP OUT
FOR THEMSELVES.

3. AS I MENTIONED TO BOTH OF YOU DURING RECENT
CONSULTATIONS IN WASHINGTON, I BELIEVE MARKET CONDITIONS
WILL BE THE PRIME DETERMINANT OF THE IRANIAN POSITION
IN DECEMBER OPEC MEETING. ON EXAMINATION OF MARKET
FROM IRAN PERSPECTIVE, IT APPEARS THAT THERE IS
HEAVIER THAN NORMAL LIFTING OF CRUDE FROM MIDDLE EAST
FOR U.S. DESTINATIONS AT THIS MOMENT BECAUSE OF HEDGING
AGAINST POTENTIAL U.S. IMPORT TAX ON MIDDLE EAST CRUDE.
IF THIS TREND CONTINUES, IT COULD MAKE THE MARKET
UNNATURALLY TIGHT WHEN THE DECEMBER OPEC MEETING TAKES
PLACE. POLICY STATEMENTS OR ACTIONS BY U.S. OFFICIALS
IN THE PERIOD BETWEEN NOW AND DECEMBER COULD THEREFORE
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HAVE A GREATER EFFECT ON POTENTIAL OIL PRICES. THE
CURRENT ACCOUNT DEFICIT, AND THE VALUE OF THE DOLLAR
THAN STATEMENTS OR ACTIONS BY OPEC NATIONS IN THAT
SAME TIME FRAME.
SULLIVAN

NOTE BY OC/T: TELEGRAM DELAYED IN TRANSMISSION.

SECRET

NNN

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